



[FTB]

Franchise Tax Board **At a Glance**

Welcome to FTB

Our main job at the Franchise Tax Board (FTB) is to administer California's personal income and corporation tax laws. Over the years, we have also been given added responsibility to administer certain nontax programs such as Political Reform Act audits, Delinquent Vehicle Registration, Court-Ordered Debt, and labor law violations. By administering these programs, we assist you in many ways. We offer automated telephone tax help and information on our website 24 hours a day, seven days a week. You can also visit us at one of our six field offices, located throughout the state, during normal business hours. We hope this brochure gives you some history about our department and serves as a guide to the many resources we offer.

History

In 1929, the Legislature created the office of the Franchise Tax Commissioner to administer California's new Bank and Corporation Franchise Tax Act. This was the first agency created for tax administration since the 1879 adoption of the Constitution of the State of California. Before that, the State Board of Equalization and the State Controller administered all tax programs. In 1950, California abolished the office of the Franchise Tax Commissioner and created the Franchise Tax Board that we know today. Our department is part of the State and Consumer Services Agency.

Board members are the State Controller, the director of the Department of Finance, and the chair of the State Board of Equalization. The chief administrative official is FTB's executive officer. Board Members as of 2010 include: (Go to ftb.ca.gov for the most current information.)

Mission and Values

By constantly practicing our values, we produce quality business results, do what is best for taxpayers, seek to gain the public's trust, and make the Franchise Tax Board a place where employees enjoy working.

Accountability

We are accountable for being efficient and providing quality products and services to our customers.

Communication

We listen and communicate openly, promptly, and accurately to keep each other and our customers informed.

Enterprise Thinking

We make decisions that take the entire organization into consideration.

Individuality

We value a diverse workforce and the unique opinions and contributions of others.

Innovation

We are flexible, think outside the box, and embrace change in an innovative and creative manner.

Integrity

We treat each other and our customers with fairness, honesty, and respect.

Leadership

When we lead, we communicate expectations clearly, trust others to get the job done, and help employees reach their goals.

Teamwork

We work in a team environment to strengthen our organization, achieve our business goals, and build cooperative working relationships.

Our Mission

The purpose of FTB is to:

- Collect the proper amount of tax revenue, and operate other programs entrusted to us, at the least cost.
- Serve the public by continually improving the quality of our products and services.
- Perform in a manner warranting the highest degree of public confidence in our integrity, efficiency, and fairness.

Our Vision

We remain focused on excellence in tax administration. To excel, we respond to the changing needs of a global and multilingual environment in California. We deliver services that stand out for meeting customer needs in a fair and efficient way.

Transparency is our standard mode of operation. Citizens should be able to openly participate in the activities of their government. At FTB, we ensure citizens have access to our staff, information, and decision-making processes.

We help taxpayers voluntarily comply with tax laws in a way that lessens the burden of paying taxes. The tax gap, the difference between taxes owed and taxes actually paid, will narrow as we leverage our skilled workforce and the latest technologies to ensure that we all pay our fair share of taxes.

Programs and Other Initiatives

Personal Income Tax

Each year, Californians file more than 16 million state personal income tax returns. The Personal Income Tax Program typically generates more than \$40 billion each year for the state's General Fund. California taxes residents on their income from all sources while nonresidents are taxed on income derived from California sources. The California tax form starts with the federal adjusted income and then provides adjustments between federal and state tax laws.

Business Tax

Corporations and businesses file more than 1 million returns each year, generating more than \$12 billion annually for the state's General Fund. They pay a franchise tax for the privilege of doing business in the state. The corporation income tax is also imposed on businesses that, while not doing business in this state, receive income from sources in this state.

California follows the unitary method of taxation for businesses that receive income from both within and outside of California. If two or more corporations are engaged in a unitary business and derive income from sources within and outside of California, the members of the unitary group that are subject to California's franchise or income tax must apportion the combined income of the entire unitary group to compute their tax.

Combined, these two tax programs comprise over 60 percent of the state's General Fund for major tax and license revenue.

Homeowner and Renter Assistance

The state budget for fiscal years 2008/2009 and 2009/2010 did not include funding for the Homeowner and Renter Assistance Program. Since there was no funding for this program, FTB did not process or pay claims for these fiscal years.

However, in prior fiscal years, we administered the Homeowner and Renter Assistance Program that provided a once-a-year state payment to eligible individuals. This program benefited seniors 62 years of age or older and disabled or blind individuals. Qualified homeowners received up to \$472.60, and qualified renters received up to \$347.50. FTB typically processed over 600,000 homeowner and renter assistance claims, totaling more than \$186 million in payments.

Nontax Collections

In addition to income tax liabilities, we pursue debts owed to state and local governments. As authorized by governing legislation, we provide collection services to collect on delinquent:

- Vehicle registration.
- Court-ordered debt including victims' restitution.
- Fines imposed for labor law violations.

On average, these programs generate well over \$200 million in revenue each year.



Interagency Intercept Collection Program

We operate the Interagency Intercept Collection Program in conjunction with the State Controller's Office. Many Californians owe money to other government agencies. At the same time, they may have a refund due from us. Since 1975, we have been intercepting tax refunds of people who owe delinquent amounts to other California state and local agencies. In 1985, the Legislature empowered us to also intercept California Lottery winnings. Once intercepted, the refunds and lottery winnings are redirected to the agencies owed the debts.

Political Reform Audits

The Political Reform Audit Program came into existence as a result of the Political Reform Act of 1974, a post-Watergate reform ballot initiative passed by voters of California as Proposition 9 to improve disclosure and accountability of political entities. Over the years, through legislation and ballot initiatives approved by voters, the program has evolved from audits of reports and statements filed by state and local candidates, committees, and lobbyists to a complex program which includes electronic filings and contribution and expenditure limits.

This program is a separate, nontax program of FTB that has conducted political reform audits since 1975. The program works closely with the Fair Political Practices Commission, the Secretary of State's Office, and local filing officers. Although the Political Reform Audit Program is part of FTB, departmental policy prohibits any exchange of information with the other department programs.

Tax Gap

The tax gap is the difference between what taxpayers owe, under the law, and what they actually pay. Although FTB operates with some of the most effective audit, collection, and filing enforcement systems of any tax agency in the United States, conservative estimates show California loses more than \$6.5 billion in tax revenue each year to the tax gap. Tax gap activities, such as failing to report or underreporting income, overstating deductions, or claiming unwarranted tax credits, shortchanges funding for public services while undermining honest taxpayers' sense of equity in our tax system. Cheaters also place an unfair burden on businesses that fully pay their taxes by placing them at a competitive disadvantage against businesses that do not. Due to the severity of this problem we increased our focus on reducing the tax gap to ensure all Californians pay the correct amount of taxes, and created a tax gap plan, *A Strategic Approach to Reducing California's Tax Gap*. The plan, approved by the Board in December 2006, includes short-, mid-, and long-term strategies to narrow the tax gap and goals to measure the progress of those efforts. This report is available on our website.

Tax Systems Modernization

The Enterprise Data to Revenue (EDR) Project is the first of several projects described in our IT Strategic Plan to modernize FTB's tax systems. This project reengineers and provides a new return processing system, an enterprise data warehouse, a taxpayer folder to access the data and other services to taxpayers and customers. We plan to complete the EDR Project in 2014.

The project objective is to narrow the tax gap with the main source of funding for the project coming from increased tax revenue benefits. We expect the EDR Project to provide benefits of \$3.7 billion over the life of the project at a one-time cost of about \$235 million. The project is deliberately structured so that increased revenues pay for project costs in each year. Once the project is completed, we estimate the ongoing benefits at nearly \$1 billion annually.



Strategic Planning

We have conducted strategic planning for over 30 years. Go to **ftb.ca.gov** for our current Strategic Plan. Our Strategic Plan builds on past planning efforts and further develops our vision, goals, and strategies to guide us on our continuous path to excellence.

In addition to the enterprise perspective that FTB's executive management team (Governance Council) brings to the planning process, each strategic goal is also owned by an Action Committee. Action Committees address the operational or business level objectives and strategies to help achieve the broader strategic goals.

Our strategic planning cycle is integrated into our information technology planning as well as the budget cycle. As part of the annual planning cycle, our Governance Council and Action Committee Chairs convene and develop key initiatives to make the strategic goals tangible and results-oriented.

Our planning includes environmental scanning reports on the future technical, demographic, and economic landscape for the state as well as detailed discussions on the state's fiscal condition and workforce issues. These realities then shape our strategies for achieving our goals in coming years.

Tax Statistics at a Glance

We have one of the highest-volume tax processing facilities in the nation. Here are some high-level statistics regarding our processes. These numbers are averages and fluctuate year to year. For the most current and complete list of our tax processing statistics, go to **ftb.ca.gov**.

Each year FTB:

- Processes more than 16 million personal income tax returns.
- Processes over 1 million business entity tax returns.
- Sends out 8 million refunds to taxpayers.
- Cashiers over \$30 billion each filing season with tax returns.
- Deposits 12 million payments during tax filing season.
- Contributes over \$50 billion to the state's General Fund.
- Answers 2.5 million taxpayer calls.
- Manages another 2.3 million calls through an automated call system.
- Receives 6 million visits to our public website.
- Collects \$2.5 billion through collections processes.
- Assesses \$2 billion in revenue through audits.
- Collects over \$200 million in nontax debts.

Services

Automated Telephone Service

Our automated telephone service is available 24 hours a day, seven days a week, in English and Spanish. You can:

- Order current tax forms and publications.
- Check on the status of your refund, balance due, or payments received.
- Get answers to the most frequently asked tax questions. Call 800.338.0505.

Volunteer Income Tax Assistance and Tax Counseling for the Elderly

At more than 1,800 sites throughout California, trained volunteers provide free tax assistance to low-income, senior, disabled, military, and non-English speaking people who need to file simple federal and state income tax returns. Go to **ftb.ca.gov** or call 800.852.5711 to find the volunteer tax site nearest you.

Internet and Telephone Assistance

Website: **ftb.ca.gov**

Telephone: 800.852.5711 from within the United States
916.845.6500 from outside the United States

TTY/TDD: 800.822.6268 for persons with hearing or speech impairments

We provide telephone assistance from 8 a.m. to 5 p.m., weekdays, except state holidays. (Hours subject to change without notice.) Go to **ftb.ca.gov** for the most current information.

For the Internal Revenue Service, call 800.829.1040.

Personal Assistance

We have six field offices located throughout the state. You can visit us and other California tax agencies to speak with a customer service representative in person. Our office hours are 8 a.m. to 4 p.m., weekdays, except state holidays.

Taxpayer Service Centers Address and Participating Agencies

Oakland | 1515 Clay St., Ste. 305 (FTB, BOE)

Sacramento | 3321 Power Inn Rd., Ste. 250 (FTB, BOE, EDD)

Other Field Offices

Los Angeles | 300 S. Spring St., Ste. 5704

San Diego | 7575 Metropolitan Dr., Ste. 201

San Francisco | 121 Spear St., Ste. 400

Santa Ana | 600 W. Santa Ana Blvd., Ste. 300



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Internet Services

Internet Services

Our website, **ftb.ca.gov**, provides the tools you need to manage your tax account online. These services are easy to use, convenient, and secure. Our online services include:

- e-file your tax return free with us or through one of many online filing services.
- Check your tax refund status.
- Change your address.
- Subscribe to our estimated tax payment “email reminder service” and never miss a due date.
- Check your account status for payments made or your balance due.
- Look up your California wage and withholding information.
- View your FTB-issued Forms 1099-G or 1099-INT.

- Apply for an installment payment plan for taxes owed.
- Download and print current and prior year forms and publications.
- Get current information on tax related legislation, legal decisions, public meeting schedule and much more.
- Use **MyFTB Account** to view estimated tax payments, recent payments applied to your balance due, the total balance due on your account, and look up your California wage and withholding information.

You can also email us your technical tax questions through the Internet. Due to security concerns, do not include confidential information (such as your social security number or other personal data) with your email.



Social Media

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We are active on various social media sites, including Twitter, Facebook, and YouTube. Follow us on Twitter to get filing season updates, press releases, and news from our Taxpayers' Rights Advocate. Our Facebook page includes the latest information on our ReadyReturn and

CalFile programs. Over the past several years we have produced more than a dozen short videos that showcase ReadyReturn and CalFile. Go to YouTube to watch the latest videos and provide your feedback.

Easy Filing Methods

e-filing Advantages:

- It's fast, easy, and accurate.
- Your transaction is secure.
- The software is current with the latest tax law changes.
- You get your refund faster.
- We send a confirmation that we received your return.
- You can even pay your taxes online.



ReadyReturn



CalFile

ReadyReturn

Your free California tax return may be ready and waiting for you. ReadyReturn is a free, voluntary service to make filing your individual income tax returns easier. We use information we already have from the last return you filed and your Form W-2 to pre-fill a California state tax return. More than 2 million taxpayers qualify each year. We select taxpayers who, in the previous year:

- Earned wages from a single employer.
- Filed as single or head of household.
- Took the standard deduction.
- Claimed no more than five dependents.

Taxpayers who are renters and can be claimed as a dependent are also eligible. In addition, you must have earned less than \$160,739 if single or \$241,113 if head of household. If you qualify, all you do is review your return, make any necessary changes, and file your return.

CalFile

CalFile provides 6.4 million California taxpayers with a free, simple, direct, and convenient way to e-file their tax return.

All filing statuses qualify with income up to \$321,483. CalFile accommodates many income sources beyond Form W-2 wages such as interest, dividends, alimony, and IRA distributions. Taxpayers who claim the Renter's Credit, Child and Dependent Care Expenses Credit, Senior or Blind Exemption, or itemize their deductions also qualify.

CalFile performs math calculations, tax table look-up functions, and checks for simple processing errors. The benefits of using CalFile are:

- Quick refunds within seven days.
- Accurate return preparation.
- Paperless process.
- Acknowledgement that FTB received the return.

CalFile is available through the extended due date. Go to **ftb.ca.gov** and search for **CalFile**. For other web-based tax preparation software options, go to **ftb.ca.gov** or, you may purchase your own software. Most software products use a question and answer format and provide help buttons when you are not sure how to answer. CalFile, ReadyReturn, and all software companies provide a completed tax return to print and keep for your records. Some companies offer free e-filing to taxpayers who meet certain requirements.

See a list of IRS/FTB approved e-file providers on our website.

Direct Deposit

Choose direct deposit to have your refund deposited into your bank account quickly—within five to seven days—if you e-file.

Simple Payment Methods

Web Pay

Whether you e-file or file by mail, you can pay your personal income taxes online by requesting an electronic funds withdrawal from your bank account. You can use Web Pay to:

- Pay the balance due on your current-year tax return.
- Make extension payments (form FTB 3519).
- Make estimated tax payments (form 540-ES).
- View and cancel payments.
- Pay amounts owed for prior years.
- Pay your personal income tax bill.
- Pay your Notice of Proposed Assessment.
- Make tax deposit payments.

You choose the date up to a year in advance. (Select a date before the due date to avoid penalties and interest.)

Credit Card

Pay your personal income taxes by using your Discover/Novus, MasterCard, American Express, or Visa credit card. There is a convenience fee of 2.5 percent of the tax amount charged (minimum \$1.00). This fee is based on the amount of tax payment and paid directly to Official Payments Corporation. To find out more about using your credit card, go to **ftb.ca.gov**, **official payments.com**, or call 800.272.9829.

We constantly add new online services and make existing services such as ReadyReturn and CalFile available to more taxpayers. Go to **ftb.ca.gov** for the latest news on our e-services and e-file eligibility requirements.



Statement of Principles of Tax Administration

The members of the Franchise Tax Board adopted these Principles of Tax Administration:

The primary function of the Franchise Tax Board is to administer the Revenue and Taxation Code. Tax policy for raising revenue is determined by elected officials. With this in mind, it is the duty of the Franchise Tax Board to carry out that policy by correctly applying the laws enacted by the Legislature; to determine the reasonable meaning of various Code provisions in light of the legislative purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

At the heart of administration is interpretation of the Code. It is the responsibility of each person in the Franchise Tax Board, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is "protecting the revenue." The revenue is properly protected only when the true meaning

of the statute is ascertained and applied. The Franchise Tax Board also has the responsibility of applying and administering the law in a reasonable, practical manner. Issues should only be raised when they have merit, never arbitrarily or for trading purposes. At the same time, employees should never hesitate to raise a meritorious issue. It is also important that care be exercised not to raise an issue or to ask a court to adopt a position inconsistent with an established Franchise Tax Board position.

Administration should be both reasonable and vigorous. It should be conducted with as little delay as possible and with great courtesy and considerateness. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.

Your Rights as a Taxpayer

FTB 4058C, *California Taxpayers' Bill of Rights, An Overview* provides information on your rights as a California taxpayer and the Taxpayers' Rights Advocate. It also includes how to contact and

submit systemic issues to the Advocate, and how you can request written advice from us. To order FTB 4058C, go to **ftb.ca.gov** and search for **4058C**, or call us at 800.338.0505.

